

THE LEONARD LETTER

*A weekly electronic newsletter about
California government, business and taxes*

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QUOTE OF THE WEEK

“Money is power, more money for the government is more power for the government. More power for the government will allow it to, among many other things, amuse itself by putting its fingers in a million pies, and stop performing its essential functions well, and get dizzily distracted by nonessentials, and muck up everything. Which is more or less where we are.” Peggy Noonan, Columnist

AROUND THE STATE

*****Republican Delegates to Tackle Illegal Immigration*****

When the California Republican Party meets in convention this weekend in Century City, the delegates will consider several resolutions on illegal immigration. Instead of complaining about the federal government's failure to secure our borders, most of these resolutions focus on state policies that can be improved to solve the problem.

The first resolution discusses local government housing vouchers that are often used to provide “affordable housing” at taxpayer expense to illegal aliens. The City of Los Angeles is the largest offender. The second resolution demands that California begin enforcing its own laws for payroll tax withholding, workers’ compensation, job safety, minimum wages, and other business regulations that are being ignored on a daily basis by thousands and thousands of employers who hire illegal aliens. The third resolution would place the California Republican Party on record in opposition to any form of amnesty, including “guest worker” programs, for illegal aliens.

The most controversial resolution addresses the problem of “anchor babies,” children of illegal aliens who are treated as American citizens under current law, even if they immediately return to their parents' homeland. These anchor babies often entitle their illegal alien parents to collect welfare benefits, and they can petition the government to allow their illegal alien parents to become citizens. Reasonable people can differ on the interpretation of the 14th Amendment, but the text suggests that the children of illegal aliens are not necessarily American citizens. Congress has special enforcement powers under the 14th Amendment, so it could certainly clarify this matter. It has often been noted that America is the only nation on Earth that provides automatic citizenship to

children born to illegal aliens. This policy needs to be re-examined in light of our modern welfare state.

These are difficult issues, but I applaud the California Republican Party delegates for discussing them openly and honestly at their convention. Someday, maybe the Legislature will follow suit.

*****Candidate Preview*****

Political junkies take note: today is the last day you can review the statewide candidates' ballot statements at this site:

http://www.ss.ca.gov/elections/elections_vig_publicdisplay.htm

After that, the statements go to print. Now is the time to check out who is saying what and anticipate how that will play into this fall's campaigns. What makes the preview fun is knowing that candidates had to pay \$20 per word, not to exceed 250 words (or \$5000). Sometimes, you can get a sense of the size of a candidate's campaign budget by how many words they submitted. Even at the bargain price of \$20 a word, some are operating shoestring campaigns. Consider that a friend of mine running in a local school board race has to pay \$1700 for her ballot statement or that a candidate running countywide in San Bernardino County has to plunk down about \$19,000 for his.

*****Too Early to Say Angelides Won't Have Money*****

From the Bill Leonard Blog 8/11/2006

The San Francisco Chronicle had a story on Friday speculating that Phil Angelides is having trouble raising money on a comparable level with the Governor. I am not buying it. The press is forgetting that the six-digit contributions that were made to Governor Davis back in the day are now illegal. Donors can still give big numbers to the Democrat party, rather than directly to the candidate -- if you trust Art Torres. The real game since the passage of "campaign finance reform" is Independent Expenditures, and that ball is hidden. We will not know the extent of these contributions until the end-of-the year reports are filed.

<http://sfgate.com/cgi-bin/article.cgi?f=/c/a/2006/08/11/BAGRGKGJPF1.DTL>

ISSUE FOCUS

*****BP/Alaska Oil Shutdown Lessons*****

Reason Magazine Online has an excellent analysis by Ronald Baily of the implications of the partial pipeline shutdown at Prudhoe Bay in Alaska:

<http://www.reason.com/links/links080806.shtml>

The Prudhoe Bay shutdown takes 400,000 barrels a day out of domestic production. That is 8% of domestic production and about 2.5% of domestic consumption. The immediate

reaction to this news was another spike in the price of oil worldwide. But we have been told repeatedly that a potential new million barrel a day production in Alaska would have no effect on the price of oil. Clearly, this is not true.

Oil prices are still subject to the laws of supply and demand. Unfortunately, more than almost any other product, oil is subject to rumormongers and political extortionists.

Baily writes: "Oil markets and prices will settle down as soon as: peace comes to Iraq; Iran's ayatollahs halt uranium enrichment; the demands of Nigerian separatists are satisfied; and Venezuela's Hugo Chavez and Russia's Vladimir Putin boost investment in production. In other words, it may be a while."

But if America wanted to move away from buying from these hot spots, Reason points out two places we can boost domestic production to levels well above what is being lost today from Prudhoe Bay. The Cuban government has given permission to Sinopec, China's state owned oil company to drill for oil 45 miles of the coast of Florida. On America's side of Florida, the Gulf of Mexico is estimated to have more than 4.5 billion barrels of oil that can be extracted. Production there could double by 2016 to over two million barrels a day from just over one million today. And let's not forget that the rest of Alaska's north slope could have over 10 billion barrels that can be extracted at a rate of a million barrels a day.

In short, given the market's reaction to the partial shutdown at Prudhoe Bay, America can do something about oil prices by developing its own oil fields to provide real competition in oil pricing.

*****A Whole New Party*****

From the Bill Leonard Blog 8/10/2006

Michael Barone has an interesting after-action analysis in the Wall Street Journal of the Lamont win over Senator Lieberman in the Connecticut Democratic primary. Barone's thesis is that the Democrat party of today is so different from that of his father's that it is in essence a new party. He identifies some traits that are obvious -- the Democratic base is now mainly professional, secular, and no longer "working class." Barone adds another -- modern Democrats are less and less likely to believe in American exceptionalism. The idea that America is a decent and good country that others should emulate is something that all Americans once took for granted. Democrats like FDR and JFK exuded this belief in their policies and statements. Now, according to polls, barely half of voting Democrats believe in American exceptionalism; instead they believe that other countries are as good, or bad, as our own.

The way Barone sees it, the affluent base of the Democrat Party seeks mostly validation of their lifestyle, ideology and transnational attitudes. He notes that in the middle of the 20th Century, voters in both parties stood solidly in support of America during WWII. Now, free from worry, and not willing to engage in the gritty unpleasantness of our struggle against Islamic terrorism, the base of the Democratic party now resembles the isolationist elements of the old Republican party.

The question this raises is whether or not this shift presents an opportunity for the Republican party to pick up those remaining Democrats who believe in the virtue of America often called the Reagan Democrats, or whether this one albeit important issue of America's destiny is enough to break up the party of Andrew Jackson, Scoop Jackson, and Jesse Jackson.

MISCELLANY

*****California County History*****

San Joaquin County was created in 1850 as one of California's original counties. Its name comes from the San Joaquin River, which was named by Spanish Lieutenant Moraga in his expedition through the Central Valley. San Joaquin means Saint Joachim, who was the father of the Virgin Mary. San Joaquin County is just east of the San Francisco Bay area. The county seat of Stockton was founded by Charles M. Weber who chose to name the city after Commodore Robert F. Stockton rather than one of the more colloquial names attributed to the area back in the 1850s: Tuleburg, Gas City and Mudville. Stockton was the first American name given to a California place; all the others were Spanish or derived from native languages.

Karl Weber came to the U.S. from Bavaria in 1826 and ended up with Sam Houston's forces in Texas. Then he joined the Bidwell-Bartleson party traveling on the California Trail; they were the first group of American immigrants to make the land entry into California and they arrived in the San Joaquin Valley in November of 1841. Soon thereafter, Karl began referring to himself as Charles, and he traveled to John Sutter's New Helvetia where Sutter referred to him as "Carlos Maria Weber." After spending a few years in Sutter's tutelage, Weber opened several businesses in San Jose, including California's first water-powered flour mill, the first shoe factory, and a hide and tallow business. In 1844, after becoming a Mexican citizen, Weber was given a land grant of 49,000 acres in the San Joaquin Valley. He was offered a captain's post by the Mexican government but he declined, ultimately becoming a captain in the U.S. Calvary. After the Bear Flag Revolt, Commodore Stockton promised Weber a schooner to handle the river trade and although the boat was never delivered, the Commodore's name stuck.

Weber watched the gold rush but realized his own wealth would not to be obtained by mining but by serving those who mined. He built Stockton on that principle and oversaw the digging of the cargo channels that are still in use today. Stockton is a busy inland deep water port on the West Coast, providing an invaluable resource for the agricultural riches and other products of San Joaquin County.

*****A Good Read*****

The "Dear Economist" column by Tim Harford in the Financial Times Magazine is always a good read. Now Harford has produced "The Undercover Economist" a rough

equivalent to an Economics 101 course that is part field guide to economic thought and part expose of the economic principles behind common events. He covers an array of economic concepts, including scarce resources, market power, price gouging, market failure, inside information and game theory. Then he uses those concepts to explain things we encounter every day: coffee prices, airline seating, supermarket displays, health care costs, the gap between rich and poor nations and (my personal favorite as a Board of Equalization Member) the substantial hidden costs of taxation and regulation. As a bonus, “The Undercover Economist” is so entertaining that you will wonder how the “dismal science” got its name.

BOE AND LEGISLATIVE DATES

August 16, 2006 --- BOE meets in San Diego.

August 29, 2006 --- BOE meets in Sacramento.

August 31, 2006 --- Final recess of legislature begins upon adjournment.

September 4, 2006 --- Labor Day.

September 12-13, 2006 --- BOE meets in Culver City.

September 27, 2006 --- BOE meets in Sacramento.

September 30, 2006 — Last day for Governor to sign or veto bills passed by the Legislature before September 1 and in his possession on or after September 1 (Art. IV, Sec.10(b)(2)).

October 9, 2006 --- First day absentee ballots will be mailed to those who have requested them.

October 9, 2006 --- Columbus Day.

NOTABLE DATES/ HISTORY

August 14, 1935 --- President Franklin D. Roosevelt signed the Social Security Act, establishing federal old-age benefits.

August 14, 1941 --- British Prime Minister Winston Churchill and U.S. President Franklin D. Roosevelt signed the Atlantic Charter. After World War II, the charter formed the basis for the creation of the United Nations.

August 14, 2003 --- Around 50 million people in the eastern United States and Canada lost power in one of the biggest blackouts in history.

August 15, 1620 --- The Mayflower set sail from Southampton, England with 102 Pilgrims.

August 15, 1969 --- On the opening day of the Woodstock Arts and Music Fair in upstate New York, the promoters were overwhelmed by the hundreds of thousands in attendance and decided to waive admission fees.

August 16, 1898 --- The roller coaster was patented.

August 17, 1790 --- The federal capital of the United States moved from New York City to Philadelphia, Pennsylvania. It moved to Washington, D.C., in 1800.

August 17, 1937 --- Republicans organized opposition to former Ku Klux Klansman and Democrat U.S. Senator Hugo Black, who was appointed to U.S. Supreme Court by President Franklin D. Roosevelt. Black's Klan background was hidden until after confirmation. Republicans argued that it was a conflict of interest to appoint a sitting Senator to the high Court.

August 17, 1969 --- Hurricane Camille hit Louisiana and Mississippi, killing more than 250 people.

August 18, 1587 --- Virginia Dare became the first English child born in North America. She was born into Roanoke Colony on the Virginia coast whose inhabitants disappeared.

August 18, 1920 --- The Republican-authored 19th Amendment, giving women the vote, became part of the Constitution; 26 of the 36 states needed to ratify had Republican-controlled legislatures.

August 19, 1862 --- Republican newspaper editor Horace Greeley wrote the Prayer of Twenty Millions, calling on President Lincoln to declare emancipation of slaves.
<http://www.civilwarhome.com/lincolngreeley.htm>

August 20, 1781 --- George Washington began to move his troops south to the Revolutionary War's final battle against Cornwallis.

August 20, 1794 --- At the Battle of Fallen Timbers on the Ohio frontier, General Anthony Wayne shattered an army of Native Americans and cleared the way for settlement of the Old Northwest.

GENERAL TAX INFORMATION

For answers to your general tax questions, call the Board of Equalization information center. Customer service representatives are available to help you from 8:00 a.m. to 5:00 p.m. Pacific time, Monday through Friday (except state holidays).

Toll-free number: 800-400-7115
TDD service for the hearing impaired
TDD phones: 800-735-2929

Voice phones: 800-735-2922

To reach the Taxpayer Rights Advocate's office for assistance with any BOE issues, see <http://www.boe.ca.gov/tra/tra.htm>, or call toll-free 1-888-324-2798.

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